FOUNDERS "STOPGAP" AGREEMENT

The persons who sign below as "Founders" intend this agreement to be fully-binding and legally enforceable. It is a template DIY agreement. If any Founder believes they need legal advice, they should engage independent legal counsel.

SECTION 1: IDENTITY AND OWNERSHIP PERCENTAGES

The name of each founder and their ownership percentage ("Ownership Percentages") for purposes of voting and economics are listed below.

Name	Ownership Percentage
_____	_____%
_____	_____%
_____	_____%
_____	_____%

SECTION 2: DESCRIPTION OF THE VENTURE

The project/venture is called _____.

Our description and vision of the venture is (describe the venture in a sentence or two):

_____

_____

_____

_____ (the "Venture").

This agreement sets out the basis of the Founders' collective participation in the Venture.

SECTION 3: FINANCIAL

Part A: Sharing Profits (choose one)

☐ The Founders will share all profits from operations and proceeds from a sale of all of any portion of the Venture according to their Ownership Percentages.

☐ The Founders will share profits from operations and proceeds from a sale of all or any portion of the Venture as follows:

_____

_____

_____

Part B: Salaries (choose one)

☐ The Founders will take equal salaries and bonuses (non-profit related compensation) unless they all later agree otherwise.

☐ The Founders agree their salaries will not always be equal but instead, they will be:

_____

_____

_____

SECTION 4: DECISION-MAKING

(choose one)

☐ All decisions relating to the Venture will be made by majority vote with each Founder voting in proportion to their respective Ownership Percentage.

☐ All decisions relating to the Venture require the vote of Founders who collectively hold more than _____% of the total Ownership Percentages.

☐ All decisions regarding the Venture require the unanimous vote of the Founders.

☐ All decisions regarding the Venture will be made as follows:

_____

_____

SECTION 5: COMMITMENT TO UPGRADE

Upon reaching any of the following goals or metrics, the Founders will hire an attorney to represent the Venture to prepare a more thorough, formal agreement, which will be based on the same general terms in this agreement while addressing many other issues that are not covered by this agreement.

(Describe one or more goals or metrics that will trigger the upgrade requirement):

1: _____

2: _____

3: _____

SECTION 6: INTELLECTUAL PROPERTY

A. Intellectual Property Used or Developed by the Venture (choose one):

☐ Everything the Founders create for, or contribute to (including pre-existing intellectual property), the Venture that constitutes intellectual property under copyright, patent, trademark, trade secret, or any other applicable law belongs entirely to the Venture.

☐ Everything the Founders create for, or contribute to (including pre-existing intellectual property), the Venture that constitutes intellectual property under copyright, patent, trademark, trade secret, or any other applicable law belongs entirely to the Venture, except as follows:

_____

_____

_____

The foregoing intellectual property will be licensed to the Venture as follows (choose one):

☐ Forever without cost until the Venture is terminated.

☐ _____

☐ _____

_____

_____

B. Intellectual Property Not Used by the Venture

The following Founders have intellectual property that will not be used in the Venture and will remain owned by them individually as follows:

_____

_____

_____

C. Termination. Upon terminating the Venture, intellectual property owned by the Venture will be handled as follows (choose one):

☐ Every Founder will have a non-exclusive, royalty-free, perpetual license to use the intellectual property for their own purposes.

☐ The Founders will sell the intellectual property for the highest price (Founders may bid, as well).

☐ _____

_____

_____

SECTION 7: MISCELLANEOUS

A. No Assignment. No Founder is allowed to transfer their interest in the Venture to someone else unless all the Founders agree to such transfer.

B. Governing Law. This agreement is governed by, and shall be interpreted under, the laws of the state of _____ without regard to the application of any of its conflicts of laws principles.

C. Mandatory Mediation. If a dispute arises between any of the Founders that is in any way related to this agreement or the relationship of the Founders to each other and the Venture, the Founders will attend one full day of non-binding mediation in front of a sole mediator in the city of _____. The Founders involved in the dispute will equally share the cost of the mediator and the mediation facilities but will otherwise pay for their own expenses, including for travel and attorneys (if any attorneys are involved).

D. Signature Pages. This agreement may be signed with multiple signature pages, each of which may be signed and exchanged electronically.

E. Additional Terms. The Founders agree that the following additional terms will apply to their relationship to each other and the Venture: (if none, write N/A)

_____

_____

_____

[REMAINDER OF PAGE LEFT BLANK; SIGNATURE PAGE FOLLOWS]

The Founders are signing this Agreement as of (insert date): _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

We're lawyers, but we're not your lawyers. This Founders' Agreement is intended to be helpful, although it's a hack. It falls short of what you would expect us to draft in a more formal, collaborative process of producing a customized Founders' Agreement. It's meant to be a placeholder for people that are wanting to get into business together but lack the resources to engage a lawyer. And, it is meant to be an alternative to purchasing a bunch of online legal documents that you don't understand or may not be a good fit for your situation. But it's not legal advice; it's a form that you are free to use. We want to help. If you have a question or are ready to upgrade from this DIY template to a custom Founders' Agreement, give us a call at 512.888.9860, Cenkus Law.

Instructions for Completing the Founders "Stopgap" Agreement

The Founders "Stopgap" Agreement is a binding contract between founders. It is intended to be a temporary way to satisfy the need to formalize the relationship between the founders. It is meant to guide the relationship until the founders can justify (or afford) paying for an experienced corporate lawyer to draft a more thorough agreement.

While lawyers created this form, they are not your lawyers. This is a do-it-yourself project. We offer it to the world to be helpful. Use it wisely and recognize that it is far from complete. There are plenty of concepts that founders should work through that are not addressed in the agreement. That's okay; use the agreement as a temporary way of satisfying a need.

Section 1: Provide the name of each founder that is a party to the agreement as well as their respective ownership percentage. The ownership percentages should total to 100%.

Section 2: Provide the name of the project or venture and briefly describe what you will be doing. Be specific about what you're doing together and, if necessary, about what you are not doing together (e.g., if some of you have other ventures).

Section 3: This is a critical element of the agreement because it establishes how the founders will be paid. In Part A, mark the appropriate box that best describes how the founders will share profits. In Part B, mark the appropriate box for how salaries will be paid (if any). You may determine that no salaries will be paid. If so, mark out the entire section.

Section 4: Decide how decisions will be made for the Venture – majority, unanimous, one person makes them all, etc.

Section 5: The agreement serves a specific purpose for a brief period of time. It is not a complete founder/partner arrangement. We intend that all startups teams "upgrade" the agreement when they have the resources to do so. Choose the metrics or milestones that trigger an upgrade.

Section 6: Intellectual property ("IP") refers to creations of the mind, such as inventions, literary and artistic works, designs, symbols, names, and images. It is any product of the human intellect that the law protects from unauthorized use by others. IP is traditionally comprised of: patent, copyright, trademark, and trade secrets. Because the creator of IP holds the rights to it, use this section to determine who ought to own the IP that is brought to, or created by, the Venture. If there is any pre-existing IP that is extremely valuable, you should consult an attorney before signing this agreement because this Section, among others, is quite simple and would be handled very differently in a custom Founders Agreement.

Section 7: This section is what is most commonly referred to as the "boiler plate" section of the agreement, so fill in the blanks accordingly. Use the space in Section 7E to include any unique terms that the founders wish to apply to the agreement. Be as specific as possible and avoid any possibility that what you provide could create confusion or ambiguity with respect to something in previous sections of the agreement. The agreement is meant to be simple and sans confusion.